

BANK OF BOTSWANA

CONTRIBUTION TO BOTSWANA'S ECONOMIC PROSPERITY: THE ROLE OF THE PRIVATE SECTOR

**17th Biennial Business Botswana National Conference
25 - 28 August 2024**

Keynote Address

by

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25 August 2024

Distinguished Guests, Ladies and Gentlemen,

Good evening to you all.

INTRODUCTION

It is a great privilege to address you this evening, during the time of your 17th Biennial National Conference, themed “Invigorating Economic Transformation Through the Private Sector”. This is a critical topic, particularly at a time when our economy is facing challenges. I must say, I am deeply aligned with the objectives of your conference, which are **Private Sector-Led Economy; Export-Led Economy; and Value Chain Development.**

Indeed, practical adaptation of this theme in economic policy making and implementation and in strategic posture and operational decisions by enterprises and business is critical for future growth prospects of Botswana. In this regard, let me single out and reinforce the role of state-owned enterprises and institutions that are variedly involved in policy making, regulation, provision of services and utilities and in promoting investment, businesses, and innovation. Alongside central and local government institutions, they are critical conduits in facilitating the actualisation of this theme.

Recent Economic Developments and Prospects

Ladies and gentlemen, before I directly address aspects of this year's theme let me highlight where our nation stands in terms of recent and prospective economic performance.

Distinguished guests, you would be aware that the economy grew by 2.7 percent in 2023. For 2024, initial projections announced by the Minister of Finance, Honourable Peggy Serame, during the 2024/25 Budget Speech, indicated an anticipated growth rate of 4.2 percent. However, this is unlikely to be realised given measured economic performance so far in 2024. Thus, the IMF, following their consultation mission in July 2024, now projects the domestic economy to grow by 1 percent in 2024.

My prognosis is that there are broadly three sources of this lacklustre domestic economic performance. The first is the generally muted global economic performance where the recent annual growth rates of just above

3 percent are below the historical (2000 – 2019) annual average of 3.8 percent. The second and, in part related to the first, is the recent decline in the diamond market, therefore, impacting adversely on mining production and trade. As a footnote and to give context, mining production contracted by 6.5 percent in the year to March 2024 while the whole diamond trading sector activity declined by 42 percent in the same period.

Distinguished Guests, these first two can be said to be cyclical and would likely in time manifest an upturn, and indeed, being external, there is little we can do about. However, the third source of weak economic growth, which I will generalise as domestic structural constraints is more worrying. Having said that there are opportunities to respond, as a nation represented by various government institutions and the private sector and as individuals. This conference represents one such effort.

Impact of Weak Economic Growth?

What are the consequences if we do not address these constraints. First, we will continue to be vulnerable to external and global economic cycles and our economic resilience will recede. In the past we had fiscal and external buffers that cushioned us; we no longer have. Second, we will not improve our international competitiveness, thus unable to penetrate external markets and remain dependent on imports, therefore, prone to shortages of goods and high prices that diminish welfare. Third, there will be perpetuation of the social ills of high unemployment, inequality and poverty; thus, continuance of a less inclusive economy. Fourth, government revenue mobilisation will be constrained; thus, perpetuation of structural deficits and/or reduced capacity to provide necessary

infrastructure and services and facilitation. Fifth, and more tellingly, it would be difficult to attain the high-income status by 2036 as envisaged, which requires annual growth rates of 6.7 percent.

Ladies and gentlemen, it is fitting to characterise domestic structural constraints as a prelude to proffering possible responses. These are continuing infrastructure gaps; challenges in timely reticulation of utilities to users; the need to raise effectiveness in the provision of government services; the still modest technology adaptation and slow pace of innovation; education and skill sets not aligned to immediate enterprise and industrial needs; and some misalignments in financial intermediation (matching of capital and finance to impact growth sectors and inclusivity). These constraints are not my inventions; they are referenced in successive global competitiveness rankings and reports, as well as internal studies.

Overall, these manifest in relatively low productivity; therefore slow pace of industrialisation and related economic diversification and international competitiveness.

Policy Responses and Posture

Distinguished Guests, the Government has endeavoured to respond to address these challenges and constraints, notably in the advent of the COVID-19 Pandemic. I reference, in this regard, the National Transformation Strategy 2023 – 2030 – Innovating for Economic Growth; the Transitional National Development Plan, and the Economic Recovery

and Transformation Plan, as well as pronouncements in the recent State of the State of the Nation Addresses and Speeches. Importantly, these are in the context of overarching campaigns including the Reset Agenda and Mindset Change. Thus, a recognition of the need to change our thought processes and approaches to economic expansion, empowerment, inclusion and welfare enhancements. In addition, this is in the context of enduring macroeconomic and financial stability, including broadly supportive fiscal, monetary and exchange rate policies.

Ladies and gentlemen, notwithstanding, it appears that there is suboptimal traction of the Government economic transformation strategies and initiatives and, indeed, substantial financial resource commitments and allocation. Thus, the evident continuing modest industrialisation pace and low sectoral growth rates. Of course, we can surmise that there are lags in fruition. However, it is important that we hasten to address any evident challenges in adaptation of these initiatives. The immediate need is the ability to monitor and evaluate the impact of such initiatives. Importantly, this requires moving away from, or at least complementing, the measurement of success of initiatives in terms of inputs, in favour of the more relevant measure of outputs. This behoves the private sector collectively, to contribute towards ensuring positive returns from government support and outlays.

Prospects for Enhanced Private Sector Participation and Impact

Distinguished Guests, let me now transition, without being exhaustive, to discuss some of the responses to what we face and how the private sector

can be catalysed or catalyse itself to enhance its impact on domestic economic activity and inclusive growth.

Export-led Growth

Colleagues, it is important that we actualise and live this development model and, as I said earlier, by all economic entities and institutions. The first level of thinking, in this regard is that, given a small market, in terms of number and income levels, access to a larger export market like the African market of 1.4 billion people that can muster sufficient volumes and turnover for sustained enterprise viability. In turn, enable larger domestic production potential and employment opportunities. There is also a need to recognise that the export market also entails integration of locally produced goods and services into global production and service value chains. It also entails adoption of production, product and service standards that enhance productivity and competitiveness of the domestic industry. It further helps the Botswana economy to meaningfully integrate and benefit from the trade agreements and arrangements. Moreover, with these gains derived from access to export markets, there is inherent import substitution.

Scale and Role of Large Corporates

There is also a need to collectively acknowledge the role and value of scale and impact of large corporates, whether domestic or foreign owned. A positive approach is not to view them as competing with small and medium scale enterprises, but as being key to their growth and innovation. Of course, this is under the right policy and regulatory environment and sometimes even active and intrusive coercion.

Large scale corporates can be a market for goods and services produced by SMMEs, including under contract/subcontracting arrangements. Moreover, to the extent that they are large employers and, hopefully, pay reasonably well, they both increase employment opportunities and market for SMMEs. Employees of large corporates being patrons of SMMEs. Large scale enterprises also facilitate technology uptake and enhancements and access to modernised global products and services. This helps to generate local innovation and business and enterprise ideas, while also elevating living standards and welfare. Moreover, they draw into the country additional foreign direct investment (other large corporates) and other forms of capital. I know that it is true that SMMEs collectively provide the largest share of employment in several countries. However, it is also true that they feed on large scale enterprises to grow their share of employment creation.

Additional Employment Creation

Ladies and gentlemen, unemployment, especially youth unemployment, continues to bedevil the economy. All things equal, I think existing enterprises have an opportunity to create additional employment. This can be done in terms of extending business hours and more division of labour and tasks within a business. Extended business hours for the enterprises, would ensure more income for the business, but also increase shifts, hence more possible employment. Unlike in countries like south Africa, and this is more relevant for chain stores, employees do not multitask and there are more employees per customer than in Botswana.

Rationalisation and Enhancing the Impact of State-Owned Enterprises

Distinguished Guests, there is a case for rationalising and enhancing the impact of state-owned enterprises. In this regard, Government has announced some rationalisation initiatives with respect to state-owned enterprises and institutions. This is to reduce costs and duplication of activities, improve coordinated focus and, overall, enhance impact of their role. There is also scope to substitute government or state-owned enterprise roles with private participation and, therefore, sectoral growth. Turning over some of the government activity through sale and/or reduction of stake can help augment government's financial resources and reduce subvention outlays.

Aligned thereto is the need to enhance and implement the range of public private partnerships, to address, among others, infrastructure gaps and in the provision of social services. It is reasonable, in this regard, to expect the private sector to be at the forefront of presenting viable and socially inclusive solutions. In addition, commercial state-owned enterprises can accelerate and expand the engagement and subcontracting of the private sector for some of their operations to help enhance enterprise opportunities and improve service delivery.

Harnessing and Beneficiating Local Resources and Endowments

Ladies and gentlemen, it is evident that we are not doing enough in terms of value addition, commercialising and monetising our local resources and endowments. At the same time this represents significant opportunities in terms of enterprise and business opportunities, and monetised branding.

Related thereto is the potential for export markets and integration of local products and services into global production and service value chains.

The Bank of Botswana 2023 Annual Report theme topic explores extensively the beneficiation and product development opportunities with respect to the mining sector. The same applies across the range of physical, cultural and knowledge endowments. It is possible, in this regard, that deliberate linking of schooling, skills development and research and development to beneficiation, product and service development and monetisation could yield long-term beneficial results. Yet again, there is a role for the private sector in seeking collaboration with tertiary and research institutions towards product development and monetising services.

As I conclude Ladies and Gentlemen, my hope is that at the end of this year's conference, you will have space where, without reference to Government, as the private sector, you will be deliberate in enunciating how you can be participants and promoters of the export-led growth development model; how you can harness the power of large scale enterprises to expand economic opportunities and inclusivity; how you can be deliberate in motivating and providing solutions in the provision of infrastructure and services to reduce the role of Government; and how you can dedicate resources and efforts towards beneficiation of local endowments to promote growth of the private sector, industrialisation and diversification of the economy.

Having said that, I believe as the private sector, we can then embed to the Mindset Change Campaign, an enduring sub-theme of “*Private Sector-Led Economy; Export-Led Economy; and Value Chain Development*”.

Ladies and Gentlemen, I thank you for honouring this dinner with your presence. I wish you fruitful deliberations over the next three days and I am confident that the key messages from this business conference will occupy our minds and action plans as we collaborate to advance the interests of this country, **LE KAMOSO BETSHO**.